

Message Text

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ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 IO-10 CIAE-00 DODE-00 PM-03 H-01

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 FEA-01 AEC-05 AID-05 CEA-01 CIEP-01 COME-00

EB-07 FPC-01 INT-05 OMB-01 SAM-01 OES-03 STR-01

TRSE-00 FRB-03 ACDA-05 /115 W
----- 095035

R 101335Z FEB 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6800

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY LONDON

OECD PARIS 1265

AMEMBASSY TEHRAN

AMEMBASSY KUWAIT

AMCONSUL BOMBAY

47 ?5-/AMCONSUL CALCUTTA 4195

AMCONSUL MADRAS

AMEMBASSY ISLAMABAD

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E.O. 11652: N/A

TAGS: ENRG, IN

SUBJ: INDIAN PRESS ON VISIT BY SAUDI ARABIAN OIL MINISTER

YAMANI: MORE ATMOSPHERICS THAN SUBSTANCE

SUMMARY: DURING A FIVE-DAY VISIT TO INDIA, PRESS REPORTS INDICATE THAT SAUDI ARABIAN OIL MINISTER YAMANI HELD WIDE-RANGING TALKS WITH PRIME MINISTER GANDHI AND OTHER HIGH-RANKING GOI OFFICIALS ON PETROLEUM AND CLOSER ECONOMIC RELATIONS. YAMANI REPORTEDLY REFUSED TO SELL THE INDIANS OIL ON CONCESSIONAL TERMS. HE SAID THAT SAUDI ARABIA WISHED TO ESTABLISH A LIMITED OFFICIAL USE

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JOINT COMMISSION WITH THE GOI IN THE FIELDS OF ECONOMIC,

SCIENTIFIC, AND TECHNICAL COOPERATION AND HOPED THAT THE JOINT COMMISSION AGREEMENT WOULD BE SIGNED WITHIN A MONTH. YAMANI STATED SAUDI INTEREST IN EXTENDING INDIA SOFT LOANS FOR ESTABLISHING JOINT INDUSTRIAL VENTURES. SHEIK YAMANI REPORTEDLY DISMISSED AS IRRATIONAL THE RUMORS OF US CONTINGENCY PLANS TO SEIZE MIDDLE EAST OIL FIELDS. WE SHALL REPORT FURTHER AS WE SEE KNOWLEDGEABLE PEOPLE. END SUMMARY.

1. INDIAN NEWSPAPERS GAVE PROMINENT TREATMENT TO THE FIVE-DAY VISIT BY SAUDI ARABIAN OIL MINISTER SHEIK YAMANI, WHICH ENDED ON FEBRUARY 10. YAMANI'S TALKS WITH PRIME MINISTER GANDHI, FINANCE MINISTER SUBRAMANIAM, PETROLEUM MINISTER MALAVIYA AND OTHER GOI OFFICIALS. WERE VIEWED WITH UNDISGUISED ANTICIPATION. HOPING THAT HE WOULD OFFER CONCESSIONAL TERMS FOR OIL SALES AND PROMOTE JOINT VENTURES AND TRADE WITH INDIA ON A SCALE SIMILAR TO IRAN. LATER STORIES SOBERLY REPORTED THE RESULTS OF THE VISIT IN TERMS THAT INDICATED DISAPPOINTMENT.

2. THE INDIANS WERE ESPECIALLY DISAPPOINTED BY SAUDI ARABIA'S REFUSAL TO SELL OIL TO INDIA ON CONCESSIONAL TERMS. YAMANI WAS QUOTED AT A PRESS CONFERENCE AS SAYING THAT SAUDI ARABIA WOULD NOT EXTEND SOFT LOANS TO INDIA FOR THE PURCHASE OF OIL, AND THAT THE SAUDIS WOULD CONTINUE TO SELL PETROLEUM ONLY ON A CASH BASIS. YAMANI ALSO PUBLICLY TURNED DOWN SUGGESTIONS FOR SALES OF CRUDE TO LDCS AT A CONCESSIONAL RATE AND SAID THAT SAUDI ARABIA WOULD MAINTAIN A SINGLE PRICE FOR ALL ITS CUSTOMERS. YAMANI SAID THAT THE SAUDIS WERE COMMITTED TO SUPPLY INDIA WITH 1.1 MILLION TONS OF CRUDE ANNUALLY FOR THE NEXT THREE YEARS, BUT THERE WILL BE NO INCREASE IN THE QUANTITY OF CRUDE THAT INDIA CAN GET FROM SAUDI ARABIA.

3. ON THE QUESTION OF OIL PRICES, YAMANI HOPES THAT THERE WOULD BE NO FURTHER INCREASES IN THE PRICE OF OIL IN 1975. THE SAUDIS HAD ALREADY DECIDED TO FREEZE PRESENT PRICES UP TO SEPTEMBER 1975, AND WOULD TRY TO CONTINUE THE FREEZE BEYOND 1975. IN FACT, YAMANI SAID THAT SAUDI ARABIA WAS TRYING TO GET SOME DECREASE IN THE PRICE OF PETROLEUM. LIMITED OFFICIAL USE

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4. YAMANI ALSO REMARKED THAT HE HOPED THAT OIL WOULD NOT BE USED AS A WEAPON IN THE EVENT OF ANOTHER WAR. THE OIL EMBARGO IMPOSED BY THE ARAB STATES AFTER THE 1973 WAR WITH ISRAEL WAS MAINLY DESIGNED TO OBTAIN A HOMELAND FOR THE PALESTINIANS, AND PROGRESS WAS NOW HOPEFULLY BEING MADE TOWARD THIS END. THE LARGE PRICE INCREASE IN 1973 WAS NOT IMPOSED BY THE ARAB OIL PRODUCERS, BUT BY OPEC AS A WHOLE.

5. YAMANI SAID THAT SAUDI ARABIA WISHED TO ESTABLISH A JOINT COMMISSION WITH THE GOI IN THE FIELDS OF ECONOMIC, SCIENTIFIC, AND TECHNICAL COOPERATION AND HE HOPED THAT THE JOINT COMMISSION AGREEMENT WOULD BE SIGNED WITHIN A MONTH. REGARDING ECONOMIC COOPERATION, YAMANI STATED THAT SAUDI ARABIA WOULD BE PREPARED TO GRANT SOFT LONG-TERM CREDITS FOR BEGINNING JOINT VENTURES, SUCH AS DRUGS AND FERTILIZERS, YAMANI HELD OUT THE HOPE THAT INDIAN EXPORTS TO SAUDI ARABIA WOULD INCREASE AS A RESULT OF JOINT INDUSTRIAL VENTURES ESTABLISHED IN SAUDI ARABIA, WHICH COULD UTILIZE CHEAP SAUDI ENERGY IN COMBINATION WITH INBF, LABOR AND EXPERTISE ASKED WHETHER THE SAUDIS WOULD EXTEND OTHER CREDITS

TO INDIA. YAMANI REPLIES THAT INDIA COULD BORROW LONG TERM AT LOW INTEREST RATES FROM A SPECIAL SAUDI FUND TO ASSIST DEVELOPING NATIONS.

6. COMMENTING ON RUMORS THAT THE US WAS PREPARING CONTINGENCY PLANS TO SEIZE OIL FIELDS IN THE MIDDLE EAST, YAMANI REMARKED THAT SAUDI ARABIA DID NOT TAKE THE THREAT SERIOUSLY. "WE KNOW IT IS A VERY RISKY MATTER AND ANY RATIONAL GOVERNMENT WILL NEVER TAKE IN IRRATIONAL ACTION. IT WOULD MEAN DISASTER TO THE WORLD AND THE END OF WESTERN CIVILIZATION, AND WE TAKE IT VERY LIGHTLY." YAMANI WENT ON TO REMARK THAT HE WAS OPTIMISTIC ABOUT SECRETARY KISSINGER'S STEP-BY-STEP APPROACH IN THE MIDDLE

EAST, SINCE THE PARTIES CONCERNED WITH THE PROBLEM-EGYPT, SYRIA, JORDAN, AND THE PALESTINIANS-WERE PREPARED TO ACCEPT THIS FORM OF DIPLOMACY PROVIDED "THE TWO STEPS ARE NOT FAR AWAY AND THE STEPS ARE NOT VERY NARROW." YAMANI SAID "WE ARE JUST WATCHING AND WISH DR. KISSINGER GOOD LUCK." LIMITED OFFICIAL USE

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7. PAKISTANI EFFORTS TO ACQUIRE US ARMS YAMANI SAID THE PAKISTANIS "NEED TO PROTECT THEMSELVES TO THAT THEY WON'T SHRINK AS HAPPENED IN THE PAST. DIFINITELY WE ARE CONCERNED WITH THE INTEGRITY OF PAKISTAN'S TERRITORY. WE ARE A MUSLIM COUNTRY AND WE ARE CONCERNED WITH OUR BROTHERS ALL OVER THE WORLD IN PAKISTAN AND IN INDIA TOO. IT IS IN THE INTEREST OF SAUDI ARABIA TO SEE THAT THE DISPUTE BETWEEN PAKISTAN AND INDIA COMES TO AN END AND ALL OBSTACLES ARE REMOVED."

8. THIS TELEGRAM IS BASED UPON PRESS REPORTS. AS WE TALK TO KNOWLEGEABLE PEOPLE ABOUT THE RESULTS OF THE VISIT, WE SHALL REPORT FURTHER. SCHNEIDER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, MINISTERIAL VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975NEWDE01908
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750048-0425
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750257/aaaabzgi.tel
Line Count: 169
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 15 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 MAY 2003 by ifshinsr>; APPROVED <19 MAY 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDIAN PRESS ON VISIT BY SAUDI ARABIAN OIL MINISTER YAMANI: MORE ATMOSPHERICS THAN SUBSTANCE
TAGS: ENRG, IN, (YAMANI, AHMAD ZAKI)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006